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CANCELLATION OF UNLIQUIDATED ENCUMBRANCES AND OBLIGATIONS
RELATED TO ACCOUNTS FOR FISCAL YEARS PRIOR TO THE FISCAL
YEAR 1944

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On the basis of reports made to this office by field representatives, it is obvious that the books maintained by the Regional Fiscal Divisions for fiscal years prior to the fiscal year 1944 reflect unliquidated encumbrances and obligations in excess of actual requirements. For many of these items no liquidations whatsoever will be processed by the regional offices and for others the liquidations will be substantially less than the related obligations.

There are many factors contributing to this condition, a principal one arising from the fact that the Administrative Accounting Section in Washington some months ago discontinued the practice of notifying the regional offices of disbursements made on their behalf from prior fiscal year funds. Since that time all prior year payments for others have been absorbed in the allotment accounts of the Washington office in order to reduce the excess work load and because it was impossible to obtain accurate identification of many items.

Accordingly, you are instructed to cancel immediately all encumbrances and obligations presently in an unliquidated status in your accounts for funds of prior fiscal years. This operation should be accomplished by ascertaining the total of all such unliquidated items for each separate allotment account and posting that total as a reverse entry in the "Authorized" column of the related allotment ledger, with corresponding entries in the budgetary accounts of the General Ledger. If the prior years' accounts have not been established on the basis set forth in the Accounting Manual, effective July 1, 1943, the outstanding amount in the "Committed" and "Obligated" columns of the Allotment Ledger should be canceled and corresponding entries made to the General Ledger.

This adjustment of accounts must be accomplished within the month of April and reports similar to the regular quarterly reports submitted as at April 30, 1944.

The reports will serve as a basis for withdrawal of the unobligated balances of allotments standing on your books after cancellation of the unliquidated items. The withdrawals will be made by the Budget Division by allotment advices issued and distributed in the usual manner. In cases where an overdraft exists on your books, allotment increases will be provided, wherever possible.

After the special April reports are submitted, no further entries shall be made to your prior year accounts with the exception of the allotment entries cited in the preceding paragraph. If collections or disbursements applicable to these accounts occur after April 30, 1944,

they shall be treated as collections or disbursements for the Washington office and all postings in your office and advisory Forms FDA-507 shall be processed accordingly. If it is found after April 30, 1944, that an accounting adjustment is required in these accounts, the matter shall be referred with all pertinent information, exclusive of documents, to this office.

DISTRIBUTION: Washington Finance Division and Chiefs, Regional Fiscal
(4-21-44) Divisions